

crease the volume of paper money and provide itself with funds to meet pressing obligations. The decree of January 23, 1894, permitted a supplementary issue of bank-notes to the amount of 90,000,000 liras for the Bank of Italy, 28,000,000 for the Bank of Naples, and 7,000,000 for the Bank of Sicily. These new issues were not directly authorized, but the penal tax imposed by the banking law was reduced to two-thirds of the rate of discount up to the limit of the proposed new issue. A decree a month later, February 21, 1894, purported to put a limit of 600,000,000 liras on the circulation of State notes, and Article 5 of the same decree provided that the banks might redeem their notes on presentation at the market rate of depreciation. This favor was only to be accorded, however, to the banks which complied with the requirement of Article 2, that they transfer to the credit of the government 200,000,000 liras in gold and accept a new issue of government notes as a substitute.¹ The new notes, of which 145,000,000 liras were apportioned to the Bank of Italy, 45,000,000 liras to the Bank of Naples, and 10,000,000 liras to the Bank of Sicily, were thus nominally covered by gold, but no provision was made for reducing the volume of outstanding bank-notes or for replacing the gold withdrawn from the bank reserves.

The result of measures like these was to drag Italy deeper and deeper into the mire, make the rates of foreign exchange more and more unfavorable and the receipts of the Treasury of constantly diminishing value in gold. The additional issue of bank-notes authorized by the decree of January 23, 1894, was avowedly for the purpose of meeting the demands of the depositors in the savings banks, who upon demanding the restoration of the deposits they had made in good money were reduced to the choice of leaving their deposits in the hands of a discredited government or accepting the paper promises of the suspended banks. One of the expedients adopted to protect the Treasury was the levy of a tax of twenty per cent, on the interest of the public debt, which was

¹ *Bulletin de Statistique*, March, 1894, XXXV., 335.